

Appendix A

Explanatory Notes

The Energy Information Administration (EIA) publishes monthly data for the supply and disposition of natural gas in the United States in the *Natural Gas Monthly (NGM)*. The information in this Appendix is provided to assist users in evaluating the monthly data. There is a brief description of what data are estimated and what data are taken from submitted reports, followed by ten technical notes that provide important information for individual data series.

The monthly data are preliminary when initially published. Data shown in this report for the most current months are taken from the EIA Short-Term Integrated Forecasting System (STIFS) model computations. Each month, EIA staff review the STIFS model estimates and adjust them, if necessary, based on their knowledge of new developments in the natural gas industry. Data for prior months are estimated or taken from submitted reports.

Table A1. Methodology for Reporting Initial Monthly Natural Gas Supply and Disposition Data

Components	Reporting Methodology
Supply and Disposition	
Marketed Production	Reported on Form EIA-895 and Estimated from Historical Data
Extraction Loss	Derived from Marketed Production
Dry Production	Marketed Production minus Extraction Loss
Withdrawals from Storage	Reported on Form EIA-191
Supplemental Gaseous Fuels	Derived from Supply Estimates and Coal Gasification Information
Imports	Estimated from National Energy Board of Canada Information and Liquefied Natural Gas Information
Additions to Storage	Reported on Form EIA-191
Exports	Estimated from Industry Trends and Liquefied Natural Gas Information
Current-Month Consumption	Estimated from Historical Month-to-Month Percent Changes
Consumption by Sector	
Lease and Plant Fuel	Derived from Marketed Production
Pipeline Fuel	Derived from Estimates for Lease and Plant Fuel and Deliveries to Consumers
Residential	Estimated from Reports to the Sample Survey Form EIA-857
Commercial	Estimated from Reports to the Sample Survey Form EIA-857
Industrial	Estimated from Reports to the Sample Survey Form EIA-857
Electric Utilities	Reported of Form EIA-759

For data that are not taken from STIFS computations, Table A1 below lists the methodologies for deriving the monthly data to be published.

The STIFS model contains a series of calculations that produce forecasts for all of the energy industry. It is driven primarily by three sets of inputs or assumptions: estimates of key macroeconomic variables, world oil price assumptions, and assumptions about the severity of weather. The natural gas estimates also reflect other key inputs or assumptions including gas wellhead prices, electric power generation by other energy sources, and U.S. gas import capacity. The macroeconomic variable estimates are produced by DRI/McGraw-Hill but are adjusted by EIA to reflect EIA assumptions about the world price of oil, energy product prices, and other assumptions which may affect the macroeconomic outlook. The EIA publishes forecasts for the energy industry each quarter in the Short-Term Energy Outlook.

For production, total supply and disposition, and storage data (Tables 1, 2, and 9), the most current two months shown are estimates produced from STIFS computations, and data that are two months or more prior to the date of publication are estimated or taken from submitted reports. For example, in the March issue of the *NGM*, February and March data are taken from the STIFS model computations while January and prior months data are estimated from available data sources or reported directly on EIA forms. For consumption data by sector (Table 3), the most current three months shown are estimates produced from STIFS computations while data that are three months prior to date of publication are taken from EIA forms.

Note 1. Nonhydrocarbon Gases Removed

Annual Data

Data on nonhydrocarbon gases removed from marketed production — carbon dioxide, helium, hydrogen sulfide, and nitrogen — are reported by State agencies on the voluntary Form EIA-895. Eleven of the 33 producing States reported data on nonhydrocarbon gases removed during 1999. These 11 States accounted for 45 percent of total 1999 gross withdrawals. The State of Missouri reported zero gross withdrawals.

Preliminary Monthly Data

All monthly data are considered preliminary until after publication of the *Natural Gas Annual* for the

year in which the report month falls. States reporting monthly data on nonhydrocarbon gases removed are estimated based on annual data reported on Form EIA-895. States' nonhydrocarbon gases as an annual percentage of gross withdrawals reported is applied to each State's monthly gross withdrawal data to produce an estimate of nonhydrocarbon gases removed.

Final Monthly Data

Beginning with report year 1990, States filing the Form EIA-627, "Annual Quantity and Value of Natural Gas Report," were asked to supply monthly breakdowns of all data previously reported on an annual basis. The sums of the reported figures were used to calculate monthly volumes. In 1997 the Form EIA-627 was discontinued. States were requested to file an annual schedule on the monthly Form EIA-895, "Monthly Quantity and Value of Natural Gas Report."

For States not supplying monthly data on the annual schedule of the EIA-895, final monthly data are calculated by proportionally allocating the differences between total annual data reported on the Form EIA-895 and the sum of monthly data (January-December).

Note 2. Supplemental Gaseous Fuels

Annual Data

Annual data are published from Form EIA-176.

Preliminary Monthly Data

All monthly data are considered preliminary until after the publication of the *Natural Gas Annual* for the year in which the report month falls. Monthly estimates are based on the annual ratio of supplemental gaseous fuels to the sum of dry gas production, net imports, and net withdrawals from storage. This ratio is applied to the monthly sum of these three elements to compute a monthly supplemental gaseous fuels figure.

Final Monthly Data

Monthly data are revised after publication of the *Natural Gas Annual*. Final monthly data are estimated based on the revised annual ratio of supplemental gaseous fuels to the sum of dry gas production, net imports, and net withdrawals from

storage. This ratio is applied to the revised monthly sum of these three elements to compute final monthly data.

Note 3. Production

Annual Data

Natural gas production data are collected from 33 gas-producing States on Form EIA-895 which includes gross withdrawals, vented and flared, repressuring, nonhydrocarbon gases removed, fuel used on leases, marketed production (wet), and extraction loss. The U.S. Minerals Management Service (MMS) also supplies data on the quantity and value of natural gas production on the Gulf of Mexico and Outer Continental Shelf. No adjustments are made to the data.

Estimated Monthly Data

State marketed production data for a particular month are estimated if data are unavailable at the time of publication. The data are estimated based on final monthly data reported on the Form EIA-895 for the previous year.

Estimates for total U.S. marketed production are based on final monthly data reported on the Form EIA-895 for the previous year. State estimates for nonhydrocarbon gas removed, gas used for repressuring, and gas vented and flared are based on the ratio of the item to gross withdrawals as reported on the EIA-895. These ratios are applied to the month's estimates for gross withdrawals to calculate figures for nonhydrocarbon gases removed, gas used for repressuring, and gas vented and flared. Estimates for gross withdrawal data are calculated from final monthly data filed on Form EIA-895 for the previous year.

Preliminary Monthly Data

All monthly data are considered preliminary until after publication of the *Natural Gas Annual* for the year in which the report month falls. Preliminary monthly data are published from reports from the Form EIA-895 and the MMS. Volumetric data are converted, as necessary, to a standard 14.73 psia pressure base. Data are revised as Table 7 monthly data are updated.

Final Monthly Data

Final monthly data are the sums of monthly data reported on the annual Form EIA-895, "Monthly

Quantity and Value of Natural Gas Report," annual schedule.

Note 4. Imports and Exports

Annual Data and Final Monthly Data

Annual and final monthly data are published from the Office of Fossil Energy, U.S. Department of Energy, "Natural Gas Imports and Exports," which requires data to be reported each quarter by month for the calendar year.

Preliminary Monthly Data - Imports

Preliminary monthly import data are based on data from the National Energy Board of Canada and responses to informal industry contacts and EIA estimates. Preliminary data are revised after the publication of the article "U.S. Imports and Exports of Natural Gas" for the calendar year.

Preliminary Monthly Data - Exports

Preliminary monthly export data are based on historical data from the Office of Fossil Energy, U.S. Department of Energy, "Natural Gas Imports and Exports," informal industry contacts, and information gathered from natural gas industry trade publications. Preliminary monthly data are revised after publication of "U.S. Imports and Exports of Natural Gas" for the calendar year in which the report month falls.

Note 5. Consumption

All Annual Data

All consumption data except electric utility data are from the Form EIA-857 and Form EIA-176. No adjustments are made to the data. Electric utility data are reported on Form EIA-759.

Monthly Data

All monthly data are considered preliminary until after publication of the *Natural Gas Annual*.

Total Consumption

Preliminary Monthly Data

The most current month estimate is calculated based on the arithmetic average change from the previous

month for the previous 3 years. The following month this estimate is revised by summing the components (pipeline fuel, lease and plant fuel, and deliveries to consumers).

Final Monthly Data

Monthly data are revised after publication of the *Natural Gas Annual*. Final monthly total consumption is obtained by summing its components.

Residential, Commercial, and Industrial Sector Consumption

Preliminary Monthly Data

Preliminary monthly residential, commercial, and industrial data are from Form EIA-857. See Appendix C, "Statistical Considerations," for a detailed explanation of sample selection and estimation procedures.

Average Price of Deliveries to Consumers

Price data are representative of prices for gas sold and delivered to residential, commercial, and industrial consumers. These prices do not reflect average prices of natural gas transported to consumers for the account of third parties or "spot-market" prices.

Final Monthly Data

Monthly data are revised after the publication of the *Natural Gas Annual*. Final monthly data are estimated by allocating annual consumption data from the Form EIA-176 to each month in proportion to monthly volumes reported in Form EIA-857.

Agricultural Use

Beginning with the reporting of 1996 annual data, the EIA changed the customer category used for reporting deliveries to consumers in the agricultural industry from commercial to industrial. In 1995 and earlier years, consumption of natural gas for agricultural use was classified as commercial use. Separate reports of the volumes affected are not available so the direct impact of this change is not known. Most natural gas consumed in agriculture is used to drive irrigation systems and to dry crops.

In comparing sectoral use over time, note that:

- There is an inherent shift in natural gas volumes from the commercial to industrial sectors due simply to changes in the reporting requirements. This break in series may indicate a spurious increase in industrial consumption with a corresponding decrease in the commercial sector.
- The sum of natural gas volumes consumed by the commercial and industrial sectors will not be changed by this modification of the instructions.

Electric Utility Sector Consumption

All Monthly Data

Monthly data published are from Form EIA-759.

Pipeline Fuel Consumption

Preliminary Monthly Data

Preliminary data are estimated based on the pipeline fuel consumption as an annual percentage of total consumption from the previous year's Form EIA-176. This percentage is applied to each month's total consumption figure to compute the monthly estimate.

Final Monthly Data

Monthly data are revised after the publication of the *Natural Gas Annual*. Final monthly data are based on the revised annual ratio of pipeline fuel consumption to total consumption from the Form EIA-176. This ratio is applied to each month's revised total consumption figure to compute final monthly pipeline fuel consumption estimates.

Lease and Plant Fuel Consumption

Preliminary Monthly Data

Preliminary monthly data are estimated based on lease and plant fuel consumption as an annual percentage of marketed production. This percentage is applied to each month's marketed production figure to compute estimated lease and plant fuel consumption.

Final Monthly Data

Monthly data are revised after publication of the *Natural Gas Annual*. Final monthly plant fuel data are based on a revised annual ratio of lease and plant fuel consumption to marketed production from Form EIA-176. This ratio is applied to each month's revised marketed production figure to compute final monthly plant fuel consumption estimates. Final monthly lease data are collected on the Form EIA-895 and estimates from the Form EIA-176. See the *Natural Gas Annual* for a complete discussion of this process.

Note 6. Extraction Loss

Annual Data

Extraction loss data are calculated from filings of Form EIA-64A, "Annual Report of the Origin of Natural Gas Liquids Production." For a fuller discussion, see the *Natural Gas Annual*.

Preliminary Monthly Data

Preliminary data are estimated based on extraction loss as an annual percentage of marketed production. This percentage is applied to each month's marketed production to estimate monthly extraction loss.

Final Monthly Data

Monthly data are revised after the publication of the *Natural Gas Annual*. Final monthly data are estimated by allocating annual extraction loss data to each month based on its total natural gas marketed production.

Note 7. Natural Gas Storage

Underground Natural Gas Storage

All monthly data concerning underground storage are published from the EIA-191. A new EIA-191 became effective in January 1994. Injection and withdrawal data from the EIA-191 survey are adjusted to correspond to data from Form EIA-176 following publication of the *Natural Gas Annual*.

Underground and Liquefied Natural Gas Storage

The final monthly and annual storage and withdrawal data shown in Table 2 include both underground and liquefied natural gas (LNG) storage. Underground storage data are obtained from the EIA-191 and EIA-176 surveys in the manner described earlier. Annual data on LNG additions and withdrawals are taken from Form EIA-176. Monthly data are estimated by computing the ratio of each month's underground storage additions and withdrawals to annual underground storage additions and withdrawals and applying it to annual LNG data.

Types of Underground Storage Facilities

There are three principal types of underground storage facilities in operation in the United States today: salt caverns (caverns hollowed out in salt "bed" or "dome" formations), depleted fields (depleted reservoirs in oil and/or gas fields), and aquifer reservoirs (water-only reservoirs conditioned to hold natural gas). A storage facility's daily deliverability or withdrawal capability is the amount of gas that can be withdrawn from it in a 24-hour period. Salt cavern storage facilities generally have high deliverability because all of the working gas in a given facility can be withdrawn in a relatively short period of time. (A typical salt cavern cycle is 10 days to deplete working gas, and 20 days to refill working gas.) By contrast, depleted field and aquifer reservoirs are designed and operated to withdraw all working gas over the course of an entire heating season (about 150 days). Further, while both traditional and salt cavern facilities can be switched from withdrawal to injection operations during the heating season, this is usually more quickly and easily done in salt cavern facilities, reflecting their greater operational flexibility.

Note 8. Average Wellhead Value

Annual Data

Form EIA-895 requests State agencies to report the quantity and value of marketed production. When complete data are unavailable, the form instructs the State agency to report the available value and the quantity of marketed production associated with this value. A number of States reported volumes of production and associated values for other than marketed production. In addition, information for several States which were unable to provide data

was obtained from Form EIA-176. It should be noted that Form EIA-176 reports a fraction of State production. The imputed value of marketed production in each State is calculated by dividing the State's reported value by its associated production. This unit price is then applied to the quantity of the State's marketed production to derive the imputed value of marketed production.

Preliminary Monthly Data

Preliminary values for the monthly U.S. natural gas wellhead price are estimated from the New York Mercantile Exchange (NYMEX) futures closing price for near-month delivery at the Henry Hub, and prevailing cash market prices (spot prices) at 5 major trading hubs: Henry Hub, LA; Carthage, TX; Katy, TX; Waha, TX; and Blanco, NM. The NYMEX price is reported in the trade publication, *Gas Daily* (published by Financial Times Energy). The spot prices are published in another trade publication, *Natural Gas Week* (Energy Intelligence Group), and they reflect the spot delivered-to-pipeline, volume-weighted average prices for natural gas bought and sold at the specified trading hubs. Prices include processing, gathering, and transportation fees to the hubs. The estimated wellhead prices are derived with a statistical procedure based on analysis of monthly time series data for the period 1995 through the present. A statistical procedure was adopted beginning with publication of the February 1999 issue of the *Natural Gas Monthly*. The preliminary estimates are replaced when annual survey data become available, usually about 10 months after the end of the report year.

Final Monthly Data

The Form EIA-895 requests State agencies to report monthly values of marketed production. Preliminary monthly gas price data are replaced by these final monthly data.

Note 9. Balancing Item

The "balancing item" category represents the difference between the sum of the components of natural gas supply and the sum of the components of natural gas disposition. These differences may be due to quantities lost or to the effects of data reporting problems.

Reporting problems include differences due to the net result of conversions of flow data metered at varying temperatures and pressure bases and converted to a standard temperature and pressure base; the effect of variations in company accounting and billing practices; differences between billing cycles and calendar periods; and imbalances resulting from the merger of data reporting systems, which vary in scope, format, definitions, and type of respondents.

Annual Data

Annual data are from the *Natural Gas Annual*. For an explanation of the methodology involved in calculating annual "balancing item" data, see the *Natural Gas Annual*.

Preliminary Monthly Data

Preliminary monthly data in the "balancing item" category are calculated by subtracting dry gas production, withdrawals from storage, supplemental gaseous fuels, and imports from total supply/disposition.

Note 10. Heating Degree-Days

Degree-days are relative measurements of outdoor air temperature. Heating degree-days are deviations of the mean daily temperature below 65 degrees Fahrenheit. A weather station recording a mean daily temperature of 40 degrees Fahrenheit would report 25 heating degree-days. There are several degree-day data bases maintained by the National Oceanic and Atmospheric Administration. The information published in the *Natural Gas Monthly* is developed by the National Weather Service Climate Analysis Center, Camp Springs, Maryland.

The data are available weekly with monthly summaries and are based on mean daily temperatures recorded at about 200 major weather stations around the country. The temperature information recorded at these weather stations is used to calculate State-wide degree-day averages weighted by gas home customers. The State figures are then aggregated into Census Divisions and into the national average.